



Dale County Health Care Authority

FINANCIAL STATEMENTS

September 30, 2020 and 2019

Dale County HealthCare Authority
Table of Contents

	Page
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
FINANCIAL STATEMENTS	
Balance Sheets	12
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Changes in Net Pension Liability and Related Ratios	51
Schedule of Contributions	52
Notes to the Required Supplementary Information.....	53
OTHER SUPPLEMENTARY INFORMATION	
Executive Board Members	54
Compliance Section	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dale County Health Care Authority
Ozark, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Dale County Health Care Authority (the "Authority") as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2020 and 2019, and the changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, schedule of changes in net pension liability and related ratios on page 50, and schedule of employer contributions on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The listing of members of the Authority's executive board on page 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is required by the State of Alabama, Department of Examiners of Public Accounts.

The listing of members of the Authority's executive board has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C

Enterprise, Alabama
February 19, 2021

Dale County Health Care Authority Management's Discussion and Analysis

This management's discussion and analysis provides an overview of the Dale County Health Care Authority financial activities for the year ended September 30, 2020.

Dale County Hospital Association reincorporated as the Dale County Health Care Authority (the "Authority") during March of 2007. The Authority does business as Dale Medical Center (the "Hospital"). The Hospital operates an 89-bed acute care hospital, a home health agency, a hospice agency, outpatient physical therapy, a surgery center, a psychiatric unit, and several physician clinics. The Dale County Hospital Association (the "Association") was formed in December 1946 and a Certificate of Reincorporation was filed with the State of Alabama in March of 2007 to operate as a Health Care Authority. Prior to this change, the Authority had operated as an Association since its inception.

Overview of the Financial Statements

The Authority's financial statements consist of: 1) balance sheets, 2) statements of revenues, expenses and changes in net position, 3) statements of cash flows, and 4) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements intended to enhance the reader's understanding of the Hospital's financial condition.

Financial Condition

The Hospital dealt with the COVID-19 Pandemic during 2020, while the Hospital's financial condition remained stable. As the Hospital experienced sporadic volume decreases and significant increases in expenses due to COVID-19, the receipt of various U.S. Department of Health and Human Services (HHS) Provider Relief Fund (PRF) receipts as well as a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan helped stabilized the Hospital's financial condition during the year. Overall, hospital debt increased in 2020 by \$2,922,936 due to the SBA PPP Loan. It is anticipated that the PPP loan will be forgiven through the SBA COVID-19 Loan program. As of year-end, the Hospital had applied for loan forgiveness but had not received final approval. Total long-term liabilities as a percentage of unrestricted net position increased from 38.13 percent to 53.50 percent from September 30, 2019 to September 30, 2020. The ratio of current assets to current liabilities was 1.81:1 as of September 30, 2019 and 1.52:1 as of September 30, 2020. In addition to the SBA PPP loan, the Hospital received \$9,411,848 in HHS PRF grant funds during 2020 to offset significant increases in Hospital expenses, capital expenditures, and reductions in Hospital revenues related to COVID-19 during the year. The PRF grant funds are held as a current liability on the Hospital's balance sheet and are recognized as income as COVID-19 related expenses, capital expenditures and lost revenues are incurred. It is anticipated that any funds not utilized for COVID-19 related purposes as of June 30, 2021 are to be returned to HHS. As of September 30, 2020, the Hospital estimated approximately \$3,316,659 in expenditures and lost revenues related to COVID-19 would be applied to those grant funds.

Dale County Health Care Authority Management's Discussion and Analysis

Balance Sheet Financial Analysis

A comparison of condensed balance sheets for the fiscal years ended September 30, 2020 and 2019 follows:

<i>September 30,</i>	2020	2019	Variance
Assets			
Current assets	\$ 18,661,807	\$ 6,536,289	\$ 12,125,518
Capital assets, net	10,809,886	11,085,028	(275,142)
Noncurrent assets	8,335,350	5,815,888	2,519,462
Total assets	37,807,043	23,437,205	14,369,838
Deferred outflows of resources	33,719	32,414	1,305
Liabilities			
Current liabilities	12,263,630	3,609,972	8,653,658
Long-term liabilities	5,441,411	2,769,852	2,671,559
Total liabilities	17,705,041	6,379,824	11,325,217
Deferred inflows of resources	1,088,928	1,063,439	25,489
Net Position			
Net investment in capital assets	8,076,390	8,045,229	31,161
Restricted for debt service	830,504	716,910	113,594
Unrestricted	10,139,899	7,264,217	2,875,682
Total net position	\$ 19,046,793	\$ 16,026,356	\$ 3,020,437

Total assets increased by \$14,369,838, or 61.31 percent, during 2020. Current assets increased by \$12,125,518, or 185.51 percent, during 2020. This increase in current assets was comprised primarily of increases in cash related to a \$2,922,936 COVID-19 loan from the SBA PPP, as well as the HHS PRF COVID-19 grant receipts totaling \$9,411,848 less cash outflows from increased COVID-19 related expenditures. It is anticipated that the PPP loan will be forgiven through the SBA COVID-19 Loan program, but as of year-end the Hospital had applied for but not yet received loan forgiveness. Further, it is anticipated that any PRF funds not utilized for COVID-19 related purposes as of June 30, 2021 are to be returned to HHS. Noncurrent assets increased by \$2,519,462, or 43.32 percent. This increase was primarily due receipt of \$2,130,953 in Accelerated Medicare Payments. These payments were received to assist with any COVID-19 related cash flow issues and will be recouped by Medicare and not retained by the Hospital. As of year-end, the re-coupment was anticipated to begin in April of 2021.

Dale County Health Care Authority Management's Discussion and Analysis

Total liabilities increased by \$11,314,642, or 177.35 percent, during 2020. Current liabilities increased by \$8,653,658, or 239.72, percent during 2020. This increase in current liabilities was primarily due to unutilized portions of HHS PRF grants noted above, as well as \$2,130,953 in Accelerated Medicare Payments also noted above. Long-term liabilities increased by \$2,660,984, or 96.07 percent, during 2020. This increase in Long-term liabilities was primarily due to the receipt of a \$2,922,936 PPP loan. As noted above, it is anticipated that the PPP loan will be forgiven through the SBA PPP program, but as of year-end the Hospital had applied for but not yet received loan forgiveness.

A comparison of condensed balance sheets for the fiscal years ended September 30, 2019 and 2018 follows:

<i>September 30,</i>	2019	2018	Variance
Assets			
Current assets	\$ 6,536,289	\$ 6,355,612	\$ 180,677
Capital assets, net	11,085,028	11,259,587	(174,559)
Noncurrent assets	5,815,888	4,973,606	842,282
Total assets	23,437,205	22,588,805	848,400
Deferred outflows of resources	32,414	32,414	-
Liabilities			
Current liabilities	3,609,972	4,343,973	(734,001)
Long-term liabilities	2,769,852	2,319,988	449,864
Total liabilities	6,379,824	6,663,961	(284,137)
Deferred inflows of resources	1,063,439	1,019,588	43,851
Net Position			
Net investment in capital assets	8,045,229	7,537,188	508,041
Restricted for debt service	716,910	617,731	99,179
Unrestricted	7,264,217	6,782,751	481,466
Total net position	\$ 16,026,356	\$ 14,937,670	\$ 1,088,686

Total assets increased by \$848,400, or 3.76 percent, during 2019. Current assets increased by \$180,677, or 2.84 percent, during 2019. This increase in current assets was comprised primarily of a \$371,240 increase in cash and cash equivalents which increased primarily due to operating results. The increase in cash was offset by a decrease in net receivables of approximately \$154,505. In the prior year, net receivables increased primarily due to our new Medicare Intermediary, Palmetto requiring Medical Record review of nearly all submitted Medicare inpatient claims resulting in a slowdown of claims payment. This slowdown was alleviated in the prior year.

Dale County Health Care Authority Management's Discussion and Analysis

Capital assets decreased by \$174,559, or 1.55 percent, during 2019 as a result of annual depreciation expense that was in excess of various capital acquisitions. The most significant capital acquisitions for the prior year included closing out the 2nd floor renovation project as well as purchasing 2 buildings during the prior year for \$249,000. One building was purchased for the relocation of outpatient physical therapy services and another building adjacent to the Hospital was purchased for later use. Noncurrent assets increased by \$842,282, or 16.94 percent, in 2019. The increase was in noncurrent cash and investments, which increased by \$897,560 primarily as a result of operating results.

Total liabilities decreased by \$284,137, or 4.26 percent, during 2019. This decrease in total liabilities was primarily due to reductions in debt payable during the prior year. Overall, hospital debt decreased by \$682,600 from the prior year primarily due to the retirement of a short-term line of credit of \$650,000 which was due at the end of 2018. The hospital's refinancing of its loan agreement with BBVA in November 2018 refinanced existing debt and no additional debt was incurred with this agreement. This decrease was offset by an increase in accounts payable at the end of the prior year.

Results of Operations Financial Analysis

A comparison of revenues, expenses, and changes in net position for the fiscal years 2020 and 2019 follows:

<i>September 30,</i>	2020	2019	Variance
Operating Revenues			
Net patient service revenue	\$ 32,397,579	\$ 30,481,975	\$ 1,915,604
Other revenue	620,807	660,572	(39,765)
Total operating revenues	33,018,386	31,142,547	1,875,839
Operating Expenses			
Salaries and wages	19,230,722	17,655,794	1,574,928
Supplies and other operating expense	5,615,651	4,406,803	1,208,848
Contract services	3,362,190	3,036,257	325,933
Other operating expenses	1,816,066	1,763,691	52,375
Utilities	1,042,415	1,048,449	(6,034)
Depreciation	1,047,197	957,738	89,459
Physician fees	720,189	686,856	33,333
Other supplies	641,613	635,286	6,327
Insurance	385,570	368,818	16,752
Lease expense	365,807	356,490	9,317
Repairs and maintenance	278,768	274,870	3,898
Total operating expenses	34,506,188	31,191,052	3,315,136
Operating income (loss)	(1,487,802)	(48,505)	(1,439,297)

**Dale County Health Care Authority
Management's Discussion and Analysis**

<i>September 30,</i>	2020	2019	Variance
Nonoperating Revenues (Expenses)			
Ad valorem tax	1,191,575	1,145,723	45,852
CARES PRF income	3,316,659	-	3,316,659
Investment income	112,775	103,128	9,647
Hospice donations	5,393	3,555	1,838
Interest expense	(118,163)	(115,215)	(2,948)
Total nonoperating revenues (expenses)	4,508,239	1,137,191	3,371,048
Change in net position	\$ 3,020,437	\$ 1,088,686	\$ 1,931,751

Operating Revenues

Total operating revenues increased by \$1,875,839, or 6.02 percent from 2019 to 2020. Net patient service revenue increased by \$1,915,604 or 6.28 percent from 2019 to 2020. Approximately \$644,000 of this net patient service revenue increase was due to additions in Hospital owned physician practices. The Hospital opened a StatMed practice in Daleville, AL at the end of 2019 and added a Surgeon, and 3 additional nurse practitioners in 2020. The remaining net revenue increase was mostly due to an increase in COVID-19 related volumes in certain areas of the Hospital. Intensive Care Unit (ICU) volumes increased by 27%, Med Surg patient days increased by 20.72%, and Lab testing volumes increased by 10%. While COVID-19 volume increases resulted in significant increases in Lab, Med Surg, ICU and pharmacy revenue, these volume increases were offset by increases in associated costs, as well as reductions in volumes in other hospital areas. Emergency Department visits declined by 11.47%, Psychiatric patient days decreased approximately 14% overall, elective surgery volumes declined, and patient visits decreased in some Hospital owned physician practices.

Operating Expenses

Total operating expenses increased by \$3,315,136 or 10.63 percent in 2020. Much of this increase was related to COVID-19 related expenses. Salaries and wages increased by \$1,574,928 or 8.92 percent. Approximately \$680,000 of this increase was due to COVID-19 related salaries including the staffing of COVID-19 screening personnel at entrances, COVID-19 testing personnel, as well as pandemic premium pay for staff retention during COVID-19. Other areas such as Lab and ICU had increased salaries due to increased COVID-19 related volumes. In addition, at the beginning of Fiscal Year 2020, the Hospital approved a 3% annual merit increase for employees which was implemented during the fiscal year. Finally, salaries increased due to the addition of Hospital owned physician practice additions during the year as noted above. Supplies and other operating expense increased by \$1,208,848 or 27.43 percent for the year. COVID-19 related supplies such including Personal Protective Equipment, Lab testing supplies, and COVID-19 related pharmaceuticals and other items totaled approximately \$842,514 for the year. Other supply expense increases included minor equipment for telemedicine as well as additional supplies related to additional Hospital owned physician practice additions during the year. Contract Services increased by \$325,933 or 10.73% for the year. Contract Nursing related to COVID-19 volumes increased by approximately \$190,000 and Contract Anesthesia expense increased by \$95,000 due to the replacement of an employed CRNA with contract CRNA expense during the year.

Dale County Health Care Authority Management's Discussion and Analysis

Nonoperating Revenues (Expenses)

Nonoperating revenues increased by \$3,371,048 or 296.44 percent in 2020. This increase is primarily due to \$3,316,659 of HHS PRF receipts recognized as income to offset COVID-19 related expenses, capital expenditures and lost revenues through September 30, 2020. As noted above, the Hospital received \$9,411,847.51 in PRF funds during the year to offset these expenses and lost revenues. These funds are to be utilized to offset Hospital for COVID-19 related expenses through June 30, 2021.

Excess of Revenues Over Expenses

Excess (deficiency) of revenues over expenses of \$3,020,437 in 2020 was an increase of \$1,931,751 from an excess of revenues over expenses of \$1,088,686 reported in 2019. The variance between years was primarily due to the recognition of HHS PPF government grant funds which were utilized to offset increases in expenses, capital expenditures, and lost revenues related to the COVID-19 pandemic.

A comparison of revenues, expenses, and changes in net position for the fiscal years 2019 and 2018 follows:

<i>September 30,</i>	2019	2018	Variance
Operating Revenues			
Net patient service revenue	\$ 30,481,975	\$ 28,552,606	\$ 1,929,369
Other revenue	660,572	461,399	199,173
Total operating revenues	31,142,547	29,014,005	2,128,542
Operating Expenses			
Salaries and wages	17,655,794	17,401,521	254,273
Supplies and other operating expense	4,406,803	3,696,396	710,407
Contract services	3,036,257	3,289,818	(253,561)
Other operating expenses	1,763,691	1,780,320	(16,629)
Utilities	1,048,449	989,656	58,793
Depreciation	957,738	1,023,478	(65,740)
Physician fees	686,856	686,856	-
Other supplies	635,286	598,079	37,207
Insurance	368,818	286,499	82,319
Lease expense	356,490	332,265	24,225
Repairs and maintenance	274,870	228,316	46,554
Total operating expenses	31,191,052	30,313,204	877,848
Operating loss	(48,505)	(1,299,199)	1,250,694

**Dale County Health Care Authority
Management's Discussion and Analysis**

<i>September 30,</i>	2019	2018	Variance
Nonoperating Revenues (Expenses)			
Ad valorem tax	1,145,723	1,059,719	86,004
Income on investments	103,128	115,240	(12,112)
Hospice donations	3,555	3,790	(235)
Interest expense	(115,215)	(90,411)	(24,804)
Total nonoperating revenues (expenses)	1,137,191	1,088,338	48,853
Change in net position	\$ 1,088,686	\$ (210,861)	\$ 1,299,547

Total operating revenues increased by \$2,128,542, or 7.3 percent, from 2018 to 2019. Net patient service revenue increased by \$1,929,369, or 6.8 percent, from 2018 to 2019. This increase in revenue was mostly due to the hospital's increase in Medicaid DSH receipts for 2019 of \$1,190,422 over 2018 DSH receipts. In addition, hospice department volumes increased by 34% in 2019 resulting in an increase in hospice revenue of approximately \$376,000 for the year. Outpatient volumes also increased by 10.8% for the year and Lab volumes increased by 4.8%. Orthopedic surgeries and Geriatric Psych patient days, which had declined in the prior year due to coverage issues, recovered during 2019. Surgery Center cases were up 36%, and Geriatric Psych days were up 6.6%. Other revenue increased by \$199,173 primarily due to a change in unrealized gain/loss on investments. As interest rates declined during 2019, the market value of hospital investments changed from an unrealized market value loss of \$97,114 at the end of 2018 to an unrealized market value gain of \$131,725 in the prior year.

Operating Expenses

Total operating expenses increased by \$877,848, or 2.9 percent, in 2019. Salaries and wages increased by \$254,273, or 1.5 percent; this increase is due primarily to the addition of two new physician practices in 2019, which resulted in salary increases in those departments of approximately \$295,000 from 2018. In addition, employee group health claims paid in 2019 increased by \$254,106. Dale Medical Center's employee group health insurance plan is a self-insured fund and expenses in 2019 increased due to employee health claims paid, as well as an increase in employee utilized specialty pharmacy drugs during the year. These increases in salary and benefits expense were offset by decreases in staffing levels in various departments during 2019. Medical supplies and drugs expense increased \$710,407, or 19.22 percent, in 2019. This increase was the result of an increase in higher cost procedures including orthopedic surgical volumes, infusion therapy, and Biofire lab testing. These procedures also resulted in increased revenue. Insurance expense increased by \$82,319, or 28.7 percent, in 2019. This increase was primarily due to the addition of two new physician practices for the prior year as well as the addition of nurse practitioners to the hospital's professional liability Insurance policy. Other operating expenses decreased by \$223,636 or 4.2 percent in 2019. This decrease was a result of a reduction in advertising expense during the prior year of approximately \$66,348. In addition, a change in billing agencies in both our Home Health and Hospice departments resulted in a decrease in collection fees of approximately \$113,244 in those areas.

Dale County Health Care Authority Management's Discussion and Analysis

Physical Therapy contract services also decreased as a result of a decrease in patient volumes in that area. Depreciation expense decreased by \$65,740 due to several items becoming fully depreciated during the year, including our PACS Radiology Imaging system.

Nonoperating Revenues (Expenses)

Nonoperating revenues increased by \$48,853, or 4.5 percent, in 2019. This increase is primarily due to an increase in Ad Valorem Tax Funds received during the prior year.

Excess of Revenues Over Expenses

Excess (deficiency) of revenues over expenses of \$1,088,686 in 2019 was an increase of \$1,299,547 from a (deficiency) of revenues over expenses of \$(210,861) reported in 2018. The variance between years was primarily due to increases in receipts of Medicaid DSH funds during the year, an increase in Hospice volumes and income, as well as increases in Orthopedic and Geriatric Psych volumes over 2018. In addition, salaries expense excluding new physician practices, advertising expense and Hospice billing expenses all decreased due to targeted hospital expense reductions.

**Dale County Health Care Authority
Balance Sheets**

<i>September 30,</i>	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 12,474,292	\$ 1,034,430
Patient accounts receivable, net of estimated uncollectibles of \$20,335,595 in 2020 and \$14,400,021 in 2019	3,190,940	2,871,194
Notes receivable - physicians, current	20,966	72,778
Other accounts receivable	1,088,928	1,060,210
Inventory	1,598,099	1,250,739
Prepaid expenses	288,582	246,938
Total current assets	18,661,807	6,536,289
Noncurrent assets		
Investments, at fair value	4,429,400	4,270,398
Board designated for capital improvement and debt service	2,840,496	608,820
Restricted cash and cash equivalents	830,504	716,910
Notes receivable - physicians, noncurrent	15,190	-
Other assets, net	219,760	219,760
Total noncurrent assets	8,335,350	5,815,888
Capital assets		
Land	2,035,327	2,035,327
Construction in progress	69	59,344
Depreciable capital assets, net	8,774,490	8,990,357
Total capital assets, net	10,809,886	11,085,028
Total assets	37,807,043	23,437,205
Deferred Outflows of Resources		
Deferred outflows related to pension	33,719	32,414

-Continued-

The accompanying notes are an integral part of these financial statements.

**Dale County Health Care Authority
Balance Sheets (Continued)**

<i>September 30,</i>	2020	2019
Liabilities		
Current liabilities		
Current maturities of long-term debt	\$ 240,802	\$ 306,303
Accounts payable and accrued liabilities	2,299,834	1,831,351
Unearned revenue (including CARES PRF)	6,120,189	20,000
Accrued compensation	886,107	762,319
Compensated absences	451,583	389,999
Estimated third-party payer settlements (including Medicare accelerated payments)	2,265,115	300,000
Total current liabilities	12,263,630	3,609,972
Long-term liabilities		
Long-term debt, net of current maturities	2,492,694	2,733,496
Payroll Protection Program loan	2,922,936	-
Net pension liability	25,781	36,356
Total long-term liabilities	5,441,411	2,769,852
Total liabilities	17,705,041	6,379,824
Deferred Inflows of Resources		
Deferred inflows related to pension	-	3,229
Unearned property taxes	1,088,928	1,060,210
Total deferred inflows of resources	1,088,928	1,063,439
Net position		
Net investment in capital assets	8,076,390	8,045,229
Restricted for debt service	830,504	716,910
Unrestricted	10,139,899	7,264,217
Total net position	\$ 19,046,793	\$ 16,026,356

The accompanying notes are an integral part of these financial statements.

Dale County Health Care Authority
Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended September 30,</i>	2020	2019
Operating Revenue		
Net patient service revenue before provision for uncollectible accounts	\$ 40,588,767	\$ 38,632,006
Provision for uncollectible accounts	(8,191,188)	(8,150,031)
Net patient service revenue	32,397,579	30,481,975
Other operating revenue	620,807	660,572
Total operating revenue	33,018,386	31,142,547
Operating Expenses		
Salaries, wages, and benefits	19,230,722	17,655,794
Supplies and other operating expense	5,615,651	4,406,803
Contract services	3,362,190	3,036,257
Other operating expenses	1,816,066	1,763,691
Depreciation	1,047,197	957,738
Utilities	1,042,415	1,048,449
Physician fees	720,189	686,856
Other supplies	641,613	635,286
Insurance	385,570	368,818
Lease expense	365,807	356,490
Repairs and maintenance	278,768	274,870
Total operating expenses	34,506,188	31,191,052
Operating income (loss)	(1,487,802)	(48,505)
Nonoperating Revenue (Expenses)		
Ad valorem tax	1,191,575	1,145,723
CARES PRF income	3,316,659	-
Investment income	112,775	103,128
Hospice donations	5,393	3,555
Interest expense	(118,163)	(115,215)
Total nonoperating revenue (expenses)	4,508,239	1,137,191
Change in net position	3,020,437	1,088,686
Net position - beginning of year	16,026,356	14,937,670
Net position - end of year	\$ 19,046,793	\$ 16,026,356

The accompanying notes are an integral part of these financial statements.

Dale County Health Care Authority
Statements of Cash Flows

<i>For the years ended September 30,</i>	2020	2019
Operating Activities		
Receipts from and on behalf of patients	\$ 31,911,995	\$ 30,686,480
Payments to suppliers and contractors	(14,120,945)	(12,129,929)
Payments to and on behalf of employees	(19,046,701)	(17,620,506)
Other receipts, net	620,807	660,572
Net cash provided by (used in) operating activities	(634,844)	1,596,617
Noncapital Financing Activities		
Receipt of CARES Act funds	9,411,848	-
Receipt of advanced Medicare payments	2,130,953	-
Proceeds from Payroll Protection Program loan	2,922,936	-
Hospice donations	5,393	3,555
Ad valorem tax	1,191,575	1,145,723
Net cash provided by (used in) noncapital financing activities	15,662,705	1,149,278
Capital and Related Financing Activities		
Proceeds from sale of property and equipment	1,799	1,498
Purchase of capital assets	(773,854)	(784,677)
Proceeds from issuance of long-term debt	-	713,401
Principal paid on long-term debt	(306,303)	(1,396,001)
Interest paid on long-term debt	(118,163)	(115,215)
Net cash provided by (used in) capital and related financing activities	(1,196,521)	(1,580,994)
Investing Activities		
Purchases of investments	(160,800)	(211,397)
Interest and dividend income	114,592	103,128
Net cash provided by (used in) investing activities	(46,208)	(108,269)
Net increase (decrease) in cash and cash equivalents	13,785,132	1,056,632
Cash and cash equivalents - beginning of year	2,360,160	1,303,528
Cash and cash equivalents - end of year	\$ 16,145,292	\$ 2,360,160

-Continued-

The accompanying notes are an integral part of these financial statements.

**Dale County Health Care Authority
Statements of Cash Flows (Continued)**

<i>For the years ended September 30,</i>	2020	2019
Reconciliation of Cash to the Balance Sheets		
Cash and cash equivalents - current assets	\$ 12,474,292	\$ 1,034,430
Cash and cash equivalents - noncurrent assets	3,671,000	1,325,730
Cash and cash equivalents - end of year	\$ 16,145,292	\$ 2,360,160
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ (1,487,802)	\$ (48,505)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,047,197	957,738
Provision for bad debts	8,191,188	8,150,031
Changes in operating assets and liabilities		
Patient accounts receivable	(8,510,361)	(7,995,526)
Other current assets	(365,910)	36,058
Accrued interest on investments	1,798	(771)
Other noncurrent assets	(15,190)	55,278
Accounts payable, accrued expenses, and other current liabilities	682,573	408,758
Estimated third-party payer settlements	(165,838)	50,000
Deferred inflows related to pension	(3,229)	(46)
Deferred outflows related to pension	1,305	-
Net pension liability	(10,575)	(16,398)
Net cash provided by (used in) operating activities	\$ (634,844)	\$ 1,596,617

The accompanying notes are an integral part of these financial statements.

Dale County Health Care Authority Notes to Financial Statements

Note 1: DESCRIPTION OF HOSPITAL

Dale County Health Care Authority (the "Authority") was re-incorporated on March 20, 2007 under the provisions of Act No. 82-418 of the Legislature of Alabama of 1982. The Authority has been designated by the governing body of Dale County, Alabama as the agency of the county to acquire, construct, equip, operate, and maintain public hospital facilities of all kinds. The Authority operates Dale Medical Center, an 89-bed acute care hospital located in Ozark, Alabama. The corporate powers, business affairs, and the property of the Authority are to be exercised, conducted, and controlled by the Board of Directors consisting of nine members. In electing such Directors, the governing body of Dale County shall elect five directors and the governing body of the City of Ozark shall elect four Directors.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Dale County Health Care Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies) are carried at amortized cost. Any other investments are carried at fair value. Investment income includes interest income from certificates of deposit and is included in nonoperating revenue on the statements of revenues, expenses and changes in net position.

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the Authority analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Authority records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Dale County Health Care Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (continued)

The Authority has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2020 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2020 or 2019.

Inventory

Supply inventories are stated at lower of cost or net realizable value, determined using the first-in, first-out method. When evidence exists that the net realizable value of inventories is lower than its cost, the difference is recognized as a loss in the statement of revenues, expenses, and changes in net position in the period in which it occurs.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Board Designated Assets

Board designated assets include assets set aside by the Board of Directors for future capital improvements and debt service, over which the Authority retains control and may, at its discretion, subsequently use for other purposes. The Board designated assets for the years ended September 30, 2020 and 2019 consisted entirely of money market accounts totaling \$2,840,496 and \$608,820, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Dale County Health Care Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Impairment of Long-Lived Assets

The Authority evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2020 and 2019.

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Authority has one item that qualifies as deferred outflows of resources, the *deferred outflow related to pensions*. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section PF20: *Pension Activities – Reporting for Benefits Provided through Trusts that Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The *Unearned Property Taxes* will be recognized as revenue when earned in future reporting years.

Dale County Health Care Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Authority's policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying balance sheets.

Net Position

Net position of the Hospital is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenue and Expenses

The Authority's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenue, including investment income, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Dale County Health Care Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

The Authority has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

Charity Care

The Authority provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Authority's charity care policy was approximately \$739,035 and \$638,220 for the years ended September 2020 and 2019, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$200,452 and \$186,458, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Authority's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Authority receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

Dale County Health Care Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ad Valorem Tax

Annually, the Authority receives funding from the Dale County Revenue Commission related to taxes collected on the assessed value of real and personal property. Ad valorem tax revenue is reported as nonoperating revenue.

Current Healthcare Environment

The Authority monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Authority's financial position and operating results.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2020 and 2019 was \$52,651 and \$68,065, respectively.

Income Taxes

As an essential government function of Dale County, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Dale County Health Care Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electronic Health Records Incentive Program

The Electronic Health Records (EHR) Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met.

The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services.

Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). The final amount for any payment year under both programs is determined based upon an audit by the Medicare Administrative Contractor.

The Authority received and recognized EHR incentive payments prior to fiscal 2019. No such incentive payments were received or recognized in either fiscal 2019 or 2020, and management believes it is unlikely that any additional significant meaningful use incentives will be received in the future, as the terms of the program are coming to a close. However, prior incentive payments remain subject to future audits and recoupments.

Recent Accounting Pronouncements

During the year ended September 30, 2020, the Hospital did not adopt any new statements of financial accounting standards issued by GASB.

In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 extends the effective date of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of GASB 95 apply to the financial statements of all state and local governments. The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of GASB 95 are effective immediately.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

**Dale County Health Care Authority
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective (Continued)

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
84	<i>Fiduciary Activities</i>	2021
87	<i>Leases</i>	2022
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2022
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2021
91	<i>Conduit Debt Obligations</i>	2023
92	<i>Omnibus 2020</i>	2023
93	<i>Replacement of Interbank Offered Rates</i>	2023
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2023
97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>	2022

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 19, 2021 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with the current year presentation.

Dale County Health Care Authority
Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS

As of September 30, 2020 and 2019, the deposits and investments of the Authority consisted of the following:

<i>September 30,</i>	2020	2019
Petty cash and undeposited cash	\$ 3,450	\$ 3,100
Cash deposits with financial institutions	9,633,047	1,131,620
Money market accounts	6,548,643	1,329,264
United States Treasury notes	2,196,738	2,182,883
Corporate securities	2,192,814	1,983,691
Total deposits	\$ 20,574,692	\$ 6,630,558

Deposits are included in the following balance sheet captions:

<i>September 30,</i>	2020	2019
Cash and cash equivalents	\$ 12,474,292	\$ 1,034,430
Restricted cash and cash equivalents	830,504	716,910
Board designated for capital improvement and debt service	2,840,496	608,820
Investments, at fair value	4,429,400	4,270,398
Total deposits	\$ 20,574,692	\$ 6,630,558

The Authority's deposits at year-end were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement ("SAFE") Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office.

Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a bank failure, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC"). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Authority's access to 100 percent of their account value in either external investment pool.

Dale County Health Care Authority Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Interest earned was allocated to the various funds based on their cash and investment balances. The pension trust funds are authorized to invest in corporate bonds and stocks, money market funds, and mortgages and notes.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the Authority places its deposits are certified as “qualified public depositories,” as required under the SAFE program. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of September 30, 2020, the Authority’s pension investments are held in street name in the form of stock, debt securities, and U.S. government bonds through a financial brokerage firm segregated out from the assets and investments held by other clients of the investment firm and their own assets.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Authority’s investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than 10 years.

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The Authority’s investment policy limit investments to securities with specific ranking criteria.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments. No such reportable concentrations of investments as of September 30, 2020.

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Dale County Health Care Authority Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020 and 2019.

- United States Treasury notes totaling \$2,196,738 and \$2,182,883 as of September 30, 2020 and 2019, respectively, are valued using quoted market prices (Level 1 inputs).
- Corporate securities totaling \$2,141,038 and \$1,924,736 as of September 30, 2020 and 2019, respectively, are valued using quoted market prices (Level 1 inputs).
- Corporate securities totaling \$51,776 and \$251,717 as of September 30, 2020 and 2019, respectively, are valued using significant other observable inputs (Level 2 inputs).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Dale County Health Care Authority
Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2020 and 2019, the Authority's investments consisted of the following maturity dates:

	Fair Value	Investment Maturity		
		Less Than 1 Year	1-5 Years	5-10 Years
<i>September 30, 2020</i>				
Fixed income				
United States Treasury notes	\$ 2,196,738	\$ 352,113	\$ 1,684,172	\$ 160,453
Corporate securities	2,192,814	253,311	1,784,550	154,953
Total fixed income	4,389,552	<u>\$ 605,424</u>	<u>\$ 3,468,722</u>	<u>\$ 315,406</u>
Cash and equivalents	39,848			
Total investments, at fair value	<u>\$ 4,429,400</u>			
<i>September 30, 2019</i>				
Fixed income				
United States Treasury notes	\$ 2,182,883	\$ 450,574	\$ 1,732,309	\$ -
Corporate securities	1,983,691	500,503	1,483,188	-
Total fixed income	4,166,574	<u>\$ 951,077</u>	<u>\$ 3,215,497</u>	<u>\$ -</u>
Cash and equivalents	103,824			
Total investments, at fair value	<u>\$ 4,270,398</u>			

At September 30, 2020 and 2019, the Authority's investments consisted of the following investment ratings:

	Fair Value	Investment Rating			
		AAA	AA	A	Less than A
<i>September 30, 2020</i>					
Fixed income					
United States Treasury notes	\$ 2,196,738	\$ 2,196,738	\$ -	\$ -	\$ -
Corporate securities	2,192,814	-	157,841	1,462,996	571,977
Total fixed income	4,389,552	<u>\$ 2,196,738</u>	<u>\$ 157,841</u>	<u>\$ 1,462,996</u>	<u>\$ 571,977</u>
Cash and equivalents	39,848				
Total investments, at fair value	<u>\$ 4,429,400</u>				

**Dale County Health Care Authority
Notes to Financial Statements**

Note 3: DEPOSITS AND INVESTMENTS (Continued)

	Fair Value	Investment Rating			
		AAA	AA	A	Less than A
<i>September 30, 2019</i>					
Fixed income					
United States Treasury notes	\$ 2,182,883	\$ 2,182,883	\$ -	\$ -	\$ -
Corporate securities	1,983,691	-	207,990	1,064,597	711,104
Total fixed income	4,166,574	\$ 2,182,883	\$ 207,990	\$ 1,064,597	\$ 711,104
Cash and equivalents	103,824				
Total investments, at fair value	\$ 4,270,398				

Note 4: PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Ozark, Alabama. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2020 and 2019 was:

<i>September 30,</i>	2020	2019
Patients and their insurance carriers	\$ 11,857,775	\$ 10,483,985
Medicare	8,597,457	4,821,412
Medicaid	1,879,723	1,192,623
Physicians' offices and other patient receivables	1,191,580	773,195
Total patient accounts receivable	23,526,535	17,271,215
Less allowance for uncollectible amounts	(20,335,595)	(14,400,021)
Patient accounts receivable, net	\$ 3,190,940	\$ 2,871,194

**Dale County Health Care Authority
Notes to Financial Statements**

Note 5: CAPITAL ASSETS

Capital asset activity and balances for the years ended September 30, 2020 and 2019 were as follows:

	Estimated Useful Lives (in years)	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020
Nondepreciable capital assets					
Land		\$ 2,035,327	\$ -	\$ -	\$ 2,035,327
Construction in progress		59,344	185,620	(244,895)	69
Total nondepreciable		2,094,671	185,620	(244,895)	2,035,396
Depreciable capital assets					
Land improvements	2 - 40	170,521	-	-	170,521
Buildings and improvements	2 - 25	13,980,144	289,601	-	14,269,745
Equipment	1 - 30	13,005,312	543,528	(119,970)	13,428,870
Total depreciable, at cost		27,155,977	833,129	(119,970)	27,869,136
Less accumulated depreciation					
Land improvements		(727,524)	(19,286)	-	(746,810)
Buildings and improvements		(6,576,743)	(451,840)	-	(7,028,583)
Equipment		(10,861,353)	(576,071)	118,171	(11,319,253)
Total accumulated depreciation		(18,165,620)	(1,047,197)	118,171	(19,094,646)
Depreciable, net		8,990,357	(214,068)	(1,799)	8,774,490
Total capital assets, net		\$ 11,085,028	\$ (28,448)	\$ (246,694)	\$ 10,809,886

**Dale County Health Care Authority
Notes to Financial Statements**

Note 5: CAPITAL ASSETS (Continued)

	Estimated Useful Lives (in years)	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019
Nondepreciable capital assets					
Land		\$ 2,035,327	\$ -	\$ -	\$ 2,035,327
Construction in progress		728,011	148,061	(816,728)	59,344
Total nondepreciable		2,763,338	148,061	(816,728)	2,094,671
Depreciable capital assets					
Land improvements	2 - 40	170,521	-	-	170,521
Buildings and improvements	2 - 25	12,854,188	1,130,041	(4,085)	13,980,144
Equipment	1 - 30	12,686,019	323,406	(4,113)	13,005,312
Total depreciable, at cost		25,710,728	1,453,447	(8,198)	27,155,977
Less accumulated depreciation					
Land improvements		(705,411)	(22,113)	-	(727,524)
Buildings and improvements		(6,198,572)	(380,655)	2,484	(6,576,743)
Equipment		(10,310,496)	(554,970)	4,113	(10,861,353)
Total accumulated depreciation		(17,214,479)	(957,738)	6,597	(18,165,620)
Depreciable, net		8,496,249	495,709	(1,601)	8,990,357
Total capital assets, net		\$ 11,259,587	\$ 643,770	\$ (818,329)	\$ 11,085,028

Depreciation expense for the years ended September 30, 2020 and 2019 amounted to \$1,047,197 and \$957,738, respectively.

Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities included in current liabilities consisted of the following:

<i>September 30,</i>	2020	2019
Payable to employees (including payroll taxes, accrued compensation, and compensated absences)	\$ 1,765,167	\$ 1,522,893
Payable to suppliers and contractors	1,865,628	1,451,793
Unearned revenue	6,120,189	20,000
Other	6,729	8,983
	\$ 9,757,713	\$ 3,003,669

Dale County Health Care Authority
Notes to Financial Statements

Note 7: LONG-TERM DEBT

The Authority's long-term debt consisted of the following obligations:

<i>September 30,</i>	2020	2019
Note Payable, Compass Bank, fixed interest rate of 3.72%, monthly interest payments, and annual principal payments according to an installment schedule, maturing January 15, 2023.	\$ 2,412,000	\$ 2,546,000
Note Payable, The Commercial Bank of Ozark, fixed interest of 1.74%, equal monthly interest and principal payments, matured July 23, 2020.	-	69,140
Note Payable, The Commercial Bank of Ozark, fixed interest of 3.31%, equal month interest and principal payments, maturing May 6, 2023.	98,431	180,742
Series 2019 Bond, The Commercial Bank of Ozark, fixed interest of 4.12%, equal monthly interest and principal payments, maturing June 1, 2029	223,065	243,917
	2,733,496	3,039,799
Less: current portion	(240,802)	(306,303)
Total	\$ 2,492,694	\$ 2,733,496

The Authority is subject to certain financial and nonfinancial covenants and restrictions related to its notes payable, which require, among other things, a minimum debt service coverage ratio; a minimum unrestricted liquidity ratio; that primary deposit accounts be with the lender; and minimum pledged proceeds.

A summary of changes in the Authority's long-term debt for the years ended September 30, 2020 and 2019 follows:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Revenue bonds payable -					
Series 2019	\$ 243,917	\$ -	\$ (20,852)	\$ 223,065	\$ 21,725
Notes payable	2,795,882	-	(285,451)	2,510,431	219,077
Total long-term debt	\$ 3,039,799	\$ -	\$ (306,303)	\$ 2,733,496	\$ 240,802

Dale County Health Care Authority
Notes to Financial Statements

Note 7: LONG-TERM DEBT (Continued)

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due Within One Year
Revenue bonds payable -					
Series 2019	\$ -	\$ 249,000	\$ (5,083)	\$ 243,917	\$ 20,852
Notes payable	3,722,399	464,401	(1,390,918)	2,795,882	285,451
Total long-term debt	\$ 3,722,399	\$ 713,401	\$ (1,396,001)	\$ 3,039,799	\$ 306,303

Scheduled principal and interest repayments of long-term debt are as follows:

<i>For the year ending September 30,</i>	Revenue Bonds Payable		Notes Payable		Total to be Paid
	Principal	Interest	Principal	Interest	
2021	\$ 21,725	\$ 8,698	\$ 219,077	\$ 115,276	\$ 364,776
2022	22,628	7,795	147,354	100,538	278,315
2023	23,569	6,854	2,144,000	19,939	2,194,362
2024	24,549	5,874	-	-	30,423
2025	25,562	4,861	-	-	30,423
Thereafter	105,032	8,368	-	-	113,400
Total	\$ 223,065	\$ 42,450	\$ 2,510,431	\$ 235,753	\$ 3,011,699

No interest was capitalized during the years ended September 30, 2020 and 2019.

During the fiscal year ended September 30, 2020, the Hospital was granted a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan of \$2,922,936 to assist with keeping its workforce employed during the Coronavirus (COVID-19) crisis. The loan, which bears interest at 1%, has a maturity date of 2022 and has deferred payments until fiscal 2022. PPP loans are subject to loan forgiveness. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels over a 24-week covered period following the receipt of the PPP loan, and may be reduced if full-time headcount declines, or if salaries and wages decrease. The application for forgiveness of the Hospital's PPP loan has not yet been completed. Accordingly, no forgiveness is recognized on the accompanying financial statements. The entire balance is presented as a long-term liability on the accompanying financial statements at September 30, 2020.

**Dale County Health Care Authority
Notes to Financial Statements**

Note 8: NET INVESTMENT IN CAPITAL ASSETS

The elements of this calculation are as follows:

<i>September 30,</i>	2020	2019
Capital assets, net	\$10,809,886	\$ 11,085,028
Outstanding debt related to capital assets	(2,733,496)	(3,039,799)
Net investment in capital assets	\$ 8,076,390	\$ 8,045,229

Note 9: NET PATIENT SERVICE REVENUE

The Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare – Inpatient and substantially all outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Agency for Health Care Administration (“AHCA”) for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

Blue Cross – Prior to October 1, 2016, inpatient and outpatient services rendered to Blue Cross subscribers were reimbursed based on a cost reimbursement methodology. The Authority was reimbursed at a tentative rate with final settlement determined after submission of annual cost studies by the Authority and audits thereof by Blue Cross. After this date, Blue Cross transitioned to an Enhanced Ambulatory Patient Grouping System (“EAPG”) for outpatient services and a per diem for inpatient services, which are fully prospective reimbursement methodologies, no longer requiring retroactive cost reporting. A final cost report was filed by the Authority under the previous methodology during fiscal year 2018.

Other – The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**Dale County Health Care Authority
Notes to Financial Statements**

Note 9: NET PATIENT SERVICE REVENUE (Continued)

A summary of gross revenue from patient services provided under contracts with third-party payers follows:

<i>For the years ended September 30,</i>	2020	2019
Medicare	44%	45%
Medicaid	13%	13%
Blue Cross	24%	23%
Other	19%	19%

The composition of net patient service revenue was as follows:

<i>September 30,</i>	2020	2019
Gross patient service revenue	\$ 112,985,900	\$ 103,083,193
Less provision for contractual and other adjustments	(72,397,133)	(64,451,187)
Less provision for doubtful accounts	(8,191,188)	(8,150,031)
Net patient service revenue	\$ 32,397,579	\$ 30,481,975

Note 10: MEDICAID SUBSIDIES AND ASSESSMENTS

The State of Alabama’s Hospital Funding Program governs Medicaid payments. For public hospitals, the Hospital Funding Program utilizes a combination of federal funds derived from certified public expenditures (CPE), inpatient hospital access payments, and disproportionate share hospital (DSH) payments to provide inpatient and outpatient payments.

Hospitals receive a DSH payment spread throughout the state fiscal year, access payments, base per diem payments for inpatient services, and outpatient payments based on the Medicaid fee schedule maintained by the Alabama Medicaid Agency (AMA). These payments are determined and provided by AMA. AMA claims the maximum allowable DSH amount from the federal government and distributes these funds to hospitals based on a hospital’s share of statewide uncompensated care. CPE payments are made on a per diem basis to public hospitals.

Both CPE and DSH transactions are considered interim payments by the federal agency responsible for administering the Medicaid program. AMA is required to conduct reconciliations of CPE and DSH payments to hospitals with actual cost incurred by the hospitals.

The reconciliation process for state fiscal years 2010 – 2016 was ongoing at the Authority’s year-end. Based on these reconciliations, AMA is responsible for any excess funds claimed above allowed amounts by the federal government or unclaimed funds below allowed amounts. Recoupment procedures have not been specifically established governing how the state may recoup overpaid CPE/DSH from or distribute underpaid CPE/DSH to individual hospitals.

Dale County Health Care Authority Notes to Financial Statements

Note 10: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

The proceeds from supplemental Medicaid payments (including DSH and access payments) were \$3,066,856 and \$2,395,411 for the years ended September 30, 2020 and 2019, respectively. The proceeds were offset by intergovernmental transfers required to be paid by the Authority to AMA in order to receive the supplemental Medicaid payments and to fund the Medicaid program, totaling \$746,777 and \$819,187 for the years ended September 30, 2020 and 2019, respectively. Therefore, the net proceeds of the supplemental Medicaid payments (including DSH and access payments) were \$2,320,079 and \$1,576,224 during the years ended September 30, 2020 and 2019, respectively. These amounts are included in net patient service revenue on the accompanying financial statements.

During fiscal year 2016, AMA announced that it will be converting hospital inpatient reimbursement for fee-for-service recipients from a per diem calculation to a per discharge calculation, based on All Patient Refined Diagnosis Related Groups (APR-DRGs). The tentative start date for the transition to APR-DRGs has been delayed, and the Authority is currently studying the potential impact this reimbursement change may have on its Medicaid net revenues. There can be no guarantees that such impact, if any, will not be material to the Authority's future net patient revenues.

Annually, a copy of the Medicare cost report is submitted to the Medicaid agency to assist the agency in monitoring the program.

Note 11: 340B DRUG PRICING PROGRAM

The Authority participates in the 340B Drug Pricing Program (340B Program), enabling the Authority to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Authority earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Authority operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Authority

The Authority recorded 340B Program revenues of \$568,661 and \$421,495 for the years ended September 30, 2020 and 2019, respectively, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of \$20,021 and \$6,632 for the years ended September 30, 2020 and 2019, respectively, are included in supplies and other operating expense in the accompanying statements of revenues, expenses and changes in net position.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Dale County Health Care Authority Notes to Financial Statements

Note 12: MEDICAL MALPRACTICE INSURANCE

The Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Authority's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

Note 13: RISK MANAGEMENT

The Authority has a self-insured health plan in conjunction with Blue Cross Blue Shield. A liability is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability includes an estimate for claims that have been incurred but not reported ("IBNR"). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards.

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries are another component of the claims liability estimate.

An excess coverage insurance policy covers individual claims in excess of \$75,000. Settlements did not exceed coverage in the past year. Changes in the balance of claims liabilities during the past year were as follows:

Unpaid claims, beginning of fiscal year	\$ 98,600
Incurred claims (including IBNR's)	1,099,310
Claim payments	(1,112,910)
<hr/>	
Unpaid claims, end of fiscal year	\$ 85,000

Dale County Health Care Authority Notes to Financial Statements

Note 14: DEFINED CONTRIBUTION PLAN

The Authority sponsors a defined contribution plan covering substantially all of its employees that meet certain eligibility requirements. Voluntary contributions by employees are permitted. The Authority matches contributions at 10% of the employee's contribution. Employee contributions for the years ended September 30, 2020 and 2019 were \$592,967 and \$589,242, respectively. Employer contributions for the years ended September 30, 2020 and 2019 were \$52,922, of which \$1,714 was funded through forfeitures, and \$55,492, of which \$5,077 was funded through forfeitures, respectively.

Note 15: DEFINED BENEFIT PENSION PLAN

Description of Plan

The Employees' Retirement System of Alabama ("ERS"), an agency multiple-employer plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama ("RSA"). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board on Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

1. The Governor, ex officio.
2. The State Treasurer, ex officio.
3. The State Personnel Director, ex officio.
4. The State Director of Finance, ex officio.
5. Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
6. Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Dale County Health Care Authority Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies

The Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources management focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Funding Requirements

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. As previously stated, for the year ended September 30, 2020, the Authority had no active employees for which it contributes under the Plan. The Authority's annual contribution was an amount based upon the actuarial valuation dated September 30, 2017. Total employer contributions to the pension plan from the Authority were \$32,414 for the year ended September 30, 2020.

**Dale County Health Care Authority
Notes to Financial Statements**

Note 15: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Membership and Benefits

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
<u>Post-DROP participants who are still in active service</u>	<u>98</u>
<u>Total</u>	<u>93,986</u>

Dale County Health Care Authority
Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate

The Authority's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total pension liability as of September 30, 2018	\$ 135,620	\$ 149,727
(b) Discount rate	7.70%	7.70%
(c) Entry age normal cost for the period October 1, 2018 – September 30, 2019	-	-
(d) Transfers among employers	-	-
(e) Actual benefit payments and refunds for the period October 1, 2018 – September 30, 2019	(32,414)	(32,414)
(f) Total Pension Liability as of September 30, 2019 <u>[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]</u>	<u>\$ 112,401</u>	<u>\$ 127,594</u>
(g) Difference between Expected and Actual		\$ 15,193
(h) Less Liability Transferred for Immediate Recognition		-
(i) Experience (Gain)/Loss = (g) – (h)		\$ 15,193

The total pension liability in the September 30, 2019 actuarial valuation was based on the annual funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

* Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017 were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

**Dale County Health Care Authority
Notes to Financial Statements**

Note 15: DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Expected Rate of Return*
Fixed income	17.00%	4.40%
United States large stocks	32.00%	8.00%
United States mid stocks	9.00%	10.00%
United States small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
Total	100.00%	

* includes assumed rate of inflation of 2.50%

The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Dale County Health Care Authority
Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2018	\$ 135,620	\$ 99,264	\$ 36,356
Changes for the year			
Service cost	-	-	-
Interest	9,195	-	9,195
Changes of assumptions	-	-	-
Differences between expected and actual experience	15,193	-	15,193
Contributions - employer	-	32,414	(32,414)
Contributions - employee	-	-	-
Net investment income	-	2,549	(2,549)
Benefit payments, including refunds of employee contributions	(32,414)	(32,414)	-
Administrative expenses	-	-	-
Transfers among employers	-	-	-
Net changes	(8,026)	2,549	(10,575)
Balances at September 30, 2019	\$ 127,594	\$ 101,813	\$ 25,781

The following table presents the Authority's net pension liability calculated using the discount rate of 7.70%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Authority's net pension liability	\$ 30,465	\$ 25,781	\$ 21,432

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**Dale County Health Care Authority
Notes to Financial Statements**

Note 15: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the Authority recognized pension expense of \$17,305. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 1,305	\$ -
Employer contributions subsequent to the measurement date	32,414	-
Total	\$ 33,719	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:

2021		\$ 32,024
2022		(70)
2023		747
2024		1,018
2025		-
Thereafter		-
Total		\$ 33,719

Note 16: WORKERS' COMPENSATION

The Authority entered into a fund coverage agreement with a commercial insurance carrier in 2016. A liability is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The financial statements presented herein include a provision for estimated asserted and unasserted claims totaling approximately \$23,000 at September 30, 2020 and 2019.

Dale County Health Care Authority Notes to Financial Statements

Note 17: COMMITMENTS AND CONTINGENCIES

Professional Liability

The Authority is self-insured for professional liability risks up to \$25,000 per individual claim. Accrued professional liability costs are determined based on claims filed and an estimate of claims incurred but not yet reported. The Authority is subject to legal proceedings and claims which arise in the ordinary course of business. Based on consultation with legal counsel and risk management professionals, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results of operations.

Industry

The healthcare industry is subject to laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Healthcare Reform

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Authority is in material compliance with all fraud and abuse statutes as well as other applicable government laws and regulations.

In March of 2010, the *Patient Protection and Affordable Care Act* ("PPACA") was signed into law. This Act represents a comprehensive reform of the United States healthcare system and institutes, among other things, many provisions that change payments from Medicare, Medicaid and other insurance companies. Starting in 2014, the legislation required the establishment of health insurance exchanges which provide individuals without employer-provided healthcare coverage the opportunity to purchase insurance. Reimbursement rates paid by insurers participating in the insurance exchanges are often substantially different than rates paid under previously existing health insurance products.

Another significant component of the PPACA is the extension of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs have been substantially decreased. Each state's participation in an expanded Medicaid program is optional, and the State of Alabama has currently opted not to expand its Medicaid program.

The PPACA is extremely lengthy and complex and has been difficult for the federal government and each state to implement. While the overall, continuing impact of the PPACA cannot currently be estimated, it is likely that it will have a negative impact on the Authority's net patient service revenue for years to come.

Dale County Health Care Authority
Notes to Financial Statements

Note 17: COMMITMENTS AND CONTINGENCIES (Continued)

Supplemental Medicaid Reimbursements

The Authority receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the State of Alabama.

Operating Leases

The Authority leases various pieces of equipment under operating leases expiring at various dates through 2022. Total rental expense for the years ended September 30, 2020 and 2019 for all operating leases approximately \$365,807 and \$356,490, respectively.

The following is a schedule by year of expiration of approximate future minimum lease payments under non-cancelable operating leases as of September 30, 2020, that have initial or remaining lease terms in excess of one year:

For the years ending September 30,

2021	\$ 254,033
2022	41,986
2023	-
2024	-
2025	-
Thereafter	-
Total	\$ 296,019

Physician Recruitment

In the normal course of business, and in an effort to recruit and retain the most talented physicians in its community, the Authority enters into contracts with certain physicians under which the Authority guarantees the physicians' income from their practices for a limited period of time, agrees to repay the physicians' outstanding student loans, and may provide other incentives or working capital. The advances under these agreements are typically structured and secured with promissory notes as loans payable to the Authority from the physicians, with provisions for forgiveness of the debt if certain requirements are met.

Accordingly, the payments made by the Authority to these physicians are capitalized as physician loans receivable and expensed over time as the physicians provide services. Loans receivable from physicians on the accompanying balance sheets were \$36,156 and \$72,778 at September 30, 2020 and 2019, respectively.

Dale County Health Care Authority Notes to Financial Statements

Note 18: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel COVID-19 can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 19: CARES ACT FUNDING

Additional funding for the Public Health and Social Services Emergency Fund (“Relief Fund”) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020, and other legislation. In the year ended September 30, 2020, the Hospital received cash payments of approximately \$9,400,000 from the Relief Fund and state grant programs, which is reported as unearned revenue on the balance sheet and nonoperating revenues in accompanying statement of changes in net position.

Payments from the Relief Fund are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The Hospital’s estimates could change materially in the future based on the Hospital’s operating performance or COVID-19 activities, as well as the evolving grant compliance guidance provided by the government.

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation. The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act (“Paycheck Protection Program”), which was signed into law on April 24, 2020, authorized up to \$2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and expect will continue to impact the Hospital’s business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

Public Health and Social Services Emergency Fund. To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the Paycheck Protection Program authorized \$175 billion for the Relief Fund.

Dale County Health Care Authority Notes to Financial Statements

Note 19: CARES ACT FUNDING (Continued)

The U.S. Department of Health and Human Services (“HHS”) has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. The Hospital has formally accepted the terms and conditions associated with the receipt of its Relief Fund payments.

During the year ended September 30, 2020, the Hospital recognized approximately \$3.3 million of Relief Fund income, included as nonoperating income, associated with lost operating revenues and COVID-related costs.

Medicare and Medicaid Payment Policy Changes. The CARES Act also alleviates some of the financial strain on hospitals, physicians, and other healthcare providers and states through a series Medicare and Medicaid payment policies that temporarily increase Medicare and Medicaid reimbursement and allow for added flexibility, as described below.

- Effective May 1, 2020 through December 31, 2020, the 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to hospitals, physicians and other providers authorized by the Sequestration Transparency Act of 2020 is suspended and will resume effective January 2021. The suspension is financed by a one-year extension of the sequestration adjustment through 2030.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until December 1, 2020. Also, the federal DSH allotment reduction for FFY 2021 will be reduced from \$8 billion to \$4 billion.
- Notwithstanding these adjustments, the ACA-mandated reduction is not expected to be extended past its original termination in FFY 2025.
- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated payments that may be retained for 120 days during which time providers continue to receive payments for services. At the end of the 120-period, the accelerated payment will be repaid via a 100% offset of payments on claims that would otherwise be paid. The repayment period for hospitals and other providers is one year and 210 days, respectively, from the date of receipt of the accelerated payment, after which interest is assessed on the unpaid balance. During the fiscal year ended September 30, 2020, the Hospital applied for and received accelerated payments totaling approximately \$2.1 million, which is included in estimated third party settlements on the accompanying balance sheet.

Dale County Health Care Authority Notes to Financial Statements

Note 19: CARES ACT FUNDING (Continued)

- A 6.2% increase in the Federal Medical Assistance Percentage (“FMAP”) matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states’ FMAP leverages Medicaid’s existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

Because of the uncertainty associated with various factors that may influence Hospital’s future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that Hospital’s estimates of the impact of the aforementioned payment and policy changes will be incorrect and that actual payments received under, or the ultimate impact of, these programs may differ materially from Hospital’s expectations.

REQUIRED SUPPLEMENTARY INFORMATION

Dale County Health Care Authority
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Fiscal years

<i>As of and for the year ended September 30,</i>	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	-
Interest	9,195	9,874	10,540	14,534	16,394	18,103
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	15,193	14,302	13,270	(31,257)	(6,063)	-
Changes of assumptions	-	249	413	3,052	-	-
Benefit payments, including refunds of employee contributions	(32,414)	(32,414)	(32,414)	(32,414)	(34,749)	(44,176)
Net change in total pension liability	(8,026)	(7,989)	(8,191)	(46,085)	(24,418)	(26,073)
Total pension liability - beginning	135,620	143,609	151,800	197,885	222,303	248,376
Total pension liability - ending (a)	\$ 127,594	\$ 135,620	\$ 143,609	\$ 151,800	\$ 197,885	\$ 222,303
Plan Fiduciary Net Position						
Contribution - employer	\$ 32,414	\$ 32,414	\$ 32,414	\$ 32,414	\$ 40,280	\$ 45,799
Contribution - member	-	-	-	-	-	-
Net investment income	2,549	8,409	10,313	7,445	825	9,304
Benefit payments, including refunds of employee contributions	(32,414)	(32,414)	(32,414)	(32,414)	(34,749)	(44,176)
Transfers among employers	-	-	-	-	-	-
Net change in plan fiduciary net position	2,549	8,409	10,313	7,445	6,356	10,927
Plan fiduciary net position - beginning	99,264	90,855	80,542	73,097	66,741	55,814
Plan fiduciary net position - ending (b)	101,813	99,264	90,855	80,542	73,097	66,741
Net pension liability (asset) - ending (a) - (b)	\$ 25,781	\$ 36,356	\$ 52,754	\$ 71,258	\$ 124,788	\$ 155,562
Plan fiduciary net position as a percentage of the total pension liability	79.79%	73.19%	63.27%	53.06%	36.94%	30.02%
Covered payroll*	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

*** Because the Authority has no active participants in the plan, covered payroll is N/A.**

Note to Schedule

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for only the years for which information is available.

**Dale County Health Care Authority
Schedule of Contributions
Last Six Fiscal Years**

<i>September 30,</i>	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution*	\$ 32,414	\$ 32,414	\$ 32,414	\$ 32,414	\$ 32,414	\$ 40,280	\$ 45,799
Contributions in relation to the actuarially determined contribution	32,414	32,414	32,414	32,414	32,414	40,280	45,799
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

**Because the Authority has no active participants in the plan, covered

*** The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.**

**** Because the Authority has no active participants in the plan, covered payroll is N/A**

Note to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for only the years for which information is available.

Dale County Health Care Authority
Notes to the Required Supplementary Information

Note 1: PLAN CHANGES IN BENEFIT TERMS

There have been no changes in benefits since the prior valuation.

Note 2: CHANGES OF ASSUMPTIONS

There have been no changes in assumptions since the prior valuation.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	N/A years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**Dale County Health Care Authority
Executive Board Members
September 30, 2020**

Name	Address	Title
Trae Avant	1114 Andrews Avenue Ozark, AL 36360	Member
Peggy Brannon	130 Stone Garner Drive Ozark, AL 36360	Member
Larry Ezell	2277 County Road 2 Ariton, AL 36311	Chairman, Executive Board
Jim Harris	1649 East Roy Parker Road Ozark, AL 36360	Member
Dr. Ray McLaughlin	249 South Painter Avenue Ozark, AL 36360	Member
Miach McNab	245 South Painter Avenue Ozark, AL 36360	Chairman, Finance Committee
Billy Paramore	8458 County Road 68 Skipperville, AL 36374	Member
Bob Snell	321 County Road 57 Skipperville, AL 36374	Member
Nolan Williams	3057 County Road 71 Newton, AL 36352	Member



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Dale County Health Care Authority
Ozark, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dale County Health Care Authority (the "Authority") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

February 19, 2021